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Diana T Fritz 02/06/2007 05:35:51 PM From DB/Inbox: Search Results

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CONFIDENTIAL

SIPDIS  
TELEGRAM

June 21, 2004

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 2028 - ROUTINE)  
TAGS: EPET, PGOV, BEXP, ENRG, ECON, EINV  
Captions: None  
Subject: UAE: BOGUS REPORT CLAIMS EXXONMOBIL WINS BID TO DEVELOP  
UPPER ZAKUM  
Ref: None

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C O N F I D E N T I A L ABU DHABI 02028

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: AMB DCM POL P/M  
Laser1:  
INFO: FCS

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: CDA: RALBRIGHT  
DRAFTED: ECON:CCRUMPLER  
CLEARED: NONE

VZCZCADI440  
RR RUEHC RUEHHH RUEHDE RUCPDOC RHEBAAA  
DE RUEHAD #2028 1730940  
ZNY CCCCC ZZH  
R 210940Z JUN 04  
FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC 4791  
INFO RUEHHH/OPEC COLLECTIVE  
RUEHDE/AMCONSUL DUBAI 4077  
RUCPDOC/USDOC WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC

C O N F I D E N T I A L ABU DHABI 002028

SIPDIS

NOFORN

DEPT FOR NEA/RA, NEA/ARP, INR/EC, EB/IEP, EB/CBA  
USDOE FOR INT'L AFFAIRS - COBURN, ALSO CALIENDO  
USDOE FOR OFFICE OF THE SECRETARY - RHONDA HUDOME  
USDOC FOR 1000/OC/  
USDOC FOR 4520/ITA/IEP/ONE  
USDOC FOR 4530/ITA/MAC/ONE/DGUGLIELMI  
4500/ITA/MAC/DAS/WILLIAMSON  
3131/CS/OIO/ANESA

E.O. 12958: DECL 06/21/2009  
TAGS: [EPET](#) [PGOV](#) [BEXP](#) [ENRG](#) [ECON](#) [EINV](#) [TC](#)  
SUBJECT: UAE: BOGUS REPORT CLAIMS EXXONMOBIL WINS BID TO  
DEVELOP UPPER ZAKUM

REFS: 04 ABU DHABI 735 AND PREVIOUS

¶1. (U) Classified by Charge d'Affaires Richard A. Albright, a.i., for reasons 1.5 (B) and (D).

¶2. (U) A Middle East Economic Survey (MEES) article this week, citing "sources close to the Supreme Petroleum Council" (SPC), claimed that the SPC had selected U.S. firm ExxonMobil to develop the mammoth Upper Zakum oil field in Abu Dhabi. The article, reported widely in the international press, said that the SPC had made its choice three months ago, but delayed announcing the decision because of "political sensitivities." ExxonMobil, ChevronTexaco, BP, Shell, and TotalFinaElf submitted bids in 2002 for a 28 percent equity stake in the Zakum Development Company (ZADCO), which manages the Upper Zakum oil concession -- one of the world's largest offshore reservoirs. The SPC short listed ExxonMobil, Shell and BP in January 2004 for a final round of negotiations (refs).

¶3. (C/NF) ExxonMobil President in the UAE Frank Kemnetz (please protect) told Econoff that the articles were a total surprise. Exxon had just completed a due diligence study at ADNOC's request the week before and, from Exxon's perspective, the competition for Upper Zakum remained "wide open." ADNOC executives confirmed to Kemnetz that the articles were incorrect, and that the company expected the final round of negotiations to take another four months to complete. On June 21, the SPC released a statement denying the report carried by the international press, calling it "unfounded and baseless." The SPC confirmed that the competition between the three firms is ongoing.

¶4. (C/NF) Comment: While premature in announcing a decision on Upper Zakum, the articles are consistent with what we have heard privately from ADNOC and SPC officials. ADNOC officials and senior shaykhs have suggested for many months that ExxonMobil's technical package is the most impressive -- combining first-class managerial expertise with proprietary technology and a commitment to train and employ UAE nationals. Kemnetz did not perceive that the press articles would hurt Exxon's chances of sealing the deal (ADNOC execs probably realize that the leak came from within their own organization), but the articles provide ammunition to critics who say the Upper Zakum bidding process has lacked transparency from the start. We expect to see public declarations from ADNOC and SPC officials reassuring BP and Shell that they are still in the race, but we are confident that ExxonMobil's position remains strong. End comment.

Albright